

BILL # HB 2656

SPONSOR: DeSimone

PREPARED BY: Dan Hunting

TITLE: law enforcement rewards; tax exemption

STATUS: As Introduced

FISCAL ANALYSIS

Description

The bill would exempt from income tax money received as a reward for information regarding a fugitive from justice or an unsolved crime.

Estimated Impact

The estimated annual impact of this bill is \$3,800 to the General Fund starting in FY 2009 in the form of foregone income tax collections.

The Arizona Department of Revenue does not have a cost estimate for this proposal.

Analysis

The bulk of reward money for tips in criminal investigations is dispensed through the Silent Witness program in Maricopa County and a similar program run by the Pima County Attorney's Office. These programs give out approximately \$110,000 in a typical year. Assuming an effective tax rate of 3.5%, the individual income taxes collected on this amount would be \$3,800.

High-profile cases such as the 'Serial Shooter' and 'Baseline Rapist' cases attracted large reward offers in 2007, showing the potential for higher tax losses in some years. A representative from Silent Witness states that 2007 was an unusual occurrence and that typical years' reward payments, as assumed here, are lower.

Local Government Impact

Each year, incorporated cities and towns receive 15% of income tax collections from 2 years prior. This bill would reduce local government distributions by a negligible amount beginning in FY 2011.

2/21/08